



Performance-Based Acquisition Working Group

FINDINGS

October 27, 2005



Statement of the Issue

Why has Performance-based Services Acquisition not been fully implemented in the federal government?



GAO Review of PBSA

“According to our reviews, agencies may have missed opportunities to take advantage of the benefits offered by... performance based service contracting, because of inadequate guidance and training, a weak internal control environment, limited performance measures, and data that agencies can use to make informed decisions.”

--Government Accountability Office
April 2003



Finding 1:

**Despite OMB Target,
Agencies Remain
Unsure When to Use
PBSA**



OMB Mandate

- ✍ OMB target of 40% has increased focus on PBSA as important tool
- ✍ However, target has caused some agencies to “force fit” PBSA for some procurements where its value may be limited
- ✍ While community resources like the 7-Steps website are helpful, OMB has provided little guidance on implementing PBSA



Misunderstanding Surrounding PBSA: When to Apply

- ✍ Agencies express concern that PBSA is not a fit for all contracts
- ✍ This observation may be correct for acquisitions where “work activity” is procured without concern for quality or performance results (wherein the agency will take accountability for the quality and performance of the finished product)
- ✍ However, the majority of acquisitions can and should benefit from PBSA
- ✍ Greater clarity on PBSA’s definition and ideal usage should be provided



GAO Evidence

- ✍ Major inconsistencies in how to define PBC and when to use PBC (GAO 2002 Report)
 - ✍ Inconsistencies “raise concern as to whether agencies have a good understanding of performance-based contracting and how to take full advantage of it.”



Panel Supports PBSA for its Clear Benefits to the Taxpayer

- ✍ Increased likelihood of meeting mission needs
- ✍ Focus on intended results, not process
- ✍ Better value and enhanced performance
- ✍ Less performance risk
- ✍ No detailed specification or process description needed
- ✍ Contractor flexibility in proposing solution
- ✍ Better competition: not just contractors, but solutions
- ✍ Contractor buy-in and shared interests
- ✍ Shared incentives permit innovation and cost effectiveness
- ✍ Less likelihood of a successful protest
- ✍ Surveillance: less frequent, more meaningful
- ✍ Results documented for Government Performance and Results Act reporting, as by-product of acquisition
- ✍ Variety of solutions from which to choose



1998 OFPP Study

- ✍ 26 Contracts from 15 Agencies
- ✍ \$585 Million in net award value (range from \$100,000 to \$325m)
- ✍ Contract Price Impact: 15% cost savings
- ✍ Customer Satisfaction: 18% increase (3.3 to 3.9 on 5 pt. scale)
- ✍ Contracting Efficiencies
 - ✍ Increased number of offers (from 5.3 to 7.3)
 - ✍ Decreased contract audits by 93%



Finding 2:

**PBSA Solicitations &
Contracts Continue to
Focus on Activities and
Processes, Rather than
Performance and
Results**



Shifting from Defining Work Activities to Soliciting Results

- ✍ Performance-based contracting should focus on results achieved, and not the effort or activities undertaken to deliver those results
- ✍ Current federal PBCs tend to add a veneer of “performance measures” on top of lengthy, detailed statements of work
- ✍ Determining clear, results-oriented performance measures is also a challenge
- ✍ Agencies tend to do a poor job defining their “needs” in clear and results-oriented terms



Overcoming Culture and Internal Stovepipes

- ✍ From a cultural perspective, it has proved very difficult for agencies to let go of simpler traditional ways of writing contract specifications – telling vendors exactly what to do.
- ✍ PBSA is not something the procurement community can do alone – program and financial elements within the government must also participate and contribute to make it a success



Finding 3:

**PBSA's Potential for
Generating
Transformational
Solutions To Agency
Challenges Remains
Largely Untapped**



“My Mess for Less” vs. Transformational Solutions

- ✍ Related to Finding #2, an over-emphasis on “work activity” contracting shuts out innovative market solutions
- ✍ Creation of a “baseline” of agency current performance problems is rarely done in a solicitation
- ✍ The use of market research— while expanding— is under-utilized in federal acquisitions



Finding 4:

Within Federal Acquisition Functions, There Still Exists a Cultural Emphasis on “Getting to Award”



Slow Down to Hurry Up

- ✍ PBSA is a process that requires a significant preliminary effort to clarify agency needs, engage in innovative solutions development, and craft the right measures and incentives.
- ✍ This increased up-front investment of time, training and resources flies in contrast to the traditional culture of most acquisition shops under significant pressure from internal clients to get contracts awarded quickly.
- ✍ Client demand is exacerbated by an under resourcing in today's Federal acquisition workforce. In many organizations, the personnel and skill sets required to undertake the up-front research and planning simply do not exist



Finding 5:

**Post-Award Contract
Performance
Monitoring and
Management Needs to
Be Improved**



Emphasis on Contract Performance Management is Needed

- ✍ Performance-based contracting does not end with the award of the contract; it is an ongoing process of monitoring and managing existing contracts for improved performance.
- ✍ Agencies do not adequately collect performance information for individual contracts, let alone review and provide ongoing feedback and corrective action on vendor performance.



Finding 6:

**Most Contract
Incentives Are Still Not
Aligned to Maximize
Performance and
Continuous
Improvement**



Use Incentives to Drive Results and Continuous Improvement

- ✍ An important element of PBSA is the use of incentives, both financial and non-financial, to promote improved results both agencies and the taxpayer expect.
- ✍ Incentives can present a risk if not properly constructed.
- ✍ In many cases, incentives are not fully aligned to encourage continuous improvement or innovation by the contractors for the government.



Finding 7:

**FPDS Data Are
Insufficient and Perhaps
Misleading Regarding
Use and Success of PBSA**



Frustrations with FPDS

- ✍ The working group found securing and analyzing data from FPDS to be a major challenge. Months after our initial request for information was submitted by staff, the Panel is still awaiting reliable data.
- ✍ Due to misunderstandings surrounding definition and use of PBSA, data may not be consistent and accurate in FPDS
- ✍ Much of the information about PBSA's successes and failures is still anecdotal